

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

MARKET STUDY GUIDELINES

I. GENERAL GUIDELINES

These market study guidelines apply to all applicants seeking tax-exempt bond authority from the California Debt Limit Allocation Committee (CDLAC).

A. Purpose of the market study

The purpose of the market study is to demonstrate that restricted rents are at least 10% below market rents, and if a project application requests points under sections 17.II.A or 17.II.D. of the CDLAC Procedures, the market study must demonstrate that the project merits such points.

B. What each applicant must submit

1. Market studies must comport with all sections of these guidelines. In addition, a Comparable Market Rental Data forms (Attachment R) must be submitted with the market study.
2. Market studies must include a 1-2 page summary of its major findings, particularly with regard to comparable rental properties.
3. All market studies must be prepared at the expense of the developer, by an independent third party having no identity of interest with the proposed project's development partners, intended partner or general contractor. Each study must provide up-to-date demographic information from a clearly identified source. Additionally, each study must include an analysis of such data, identifying assumptions, estimates, and projections used in the analysis. Recommendations should be based on market conditions, and not simply build a case for the developer's proposal. In addition, a resume describing the author's experience and background must be provided with each market study.

II. PROJECT DESCRIPTION

The project description shall include, at a minimum, all of the following information:

- A. Sponsor's name
- B. Project name and address
- C. Total project units/restricted rental units (including the number of bedrooms and bathrooms per unit)
- D. Occupancy Type (family, elderly, special needs, etc.)
- E. New Construction/Rehabilitation
- F. A detailed description of the project location (including color photos), including closest streets, property size and site configuration with contiguous land use and zoning

- G. Tenant paid utility schedule and source of that schedule
- H. Proposed unit amenities
- I. Proposed development amenities
- J. Locational amenities and their distances from the site
- K. For rehabilitation proposals, current occupancy levels, rents being charged, and tenant incomes, if available, as well as detailed information with regard to the scope of work planned (new kitchen counters, for example).

III. DELINEATION OF MARKET AREA

Identify the geographic market area from which potential renters are expected to come and provide a reasonable rationale for the suggested market area, taking into account political and natural boundaries, experience of nearby comparable developments, etc. Provide a scaled-for-distance map of the suggested market area that identifies the proposed development, the locational amenities, and the comparable rental developments.

IV. COMPETITIVE RENTAL MARKET

The market study must identify what developments are currently available to serve the target market, and provide sufficient information on existing developments to allow a reviewer who is unfamiliar with the area to understand the current market conditions.

At least three (3) comparable rental properties for each unit type within one mile (or, in the case of rural projects where comparables do not exist within one mile, within the market area) of the subject property should be included in the market analysis.

The market analysis should include comparable market rental properties within one mile of the proposed project that are of a similar size, age, unit mix, number of bathrooms per unit and amenities as the proposed project and have unrestricted, unsubsidized rental units. **Should comparable market rental properties be unavailable within one mile of the proposed project, the market study shall provide sufficient information to demonstrate to the satisfaction of the Executive Director the need for expanding the market area beyond one mile of the proposed project.**

The following information must be provided for comparable rental developments in the market area:

- A. Name, address, and telephone number of the development.
- B. Age of the development.
- C. Number of units by bedroom size, number of bathrooms and structure type.
- D. Square footage for each comparable unit type. Indicate if square footage is gross or net.
- E. Current contract rent for each comparable unit type.
- F. Tenant-paid utilities.
- G. Heat source.
- H. Amenities (both unit and development).
- I. In areas lacking sufficient three and four bedroom rental comparables, provide data on three and four bedroom single-family rentals, showing that the restricted rents will be at least 20% below rents for these single-family homes.

J. Rent comparisons for each unit type in the comparable and the subject development.

The market analysis must demonstrate that the application meets the minimum requirement described in Section 17.I.C of the CDLAC Procedures. If the application requests points under Section 17.II.A. or 17.II.D. of the CDLAC Procedures, the market study must show that the project merits such points.

V. IMPACT ON EXISTING AND PLANNED AFFORDABLE HOUSING

Provide specific data relating to already existing or planned affordable housing developments in the market area and the impact that the proposed development will have on such housing. This analysis should include a consideration of the age of existing affordable units, amenities offered, as compared to those proposed at the subject development, and whether there is sufficient market demand for the existing affordable housing and the proposed affordable housing.

VI. RECOMMENDATIONS/CONCLUSIONS:

A. For all projects that are applying for tax-exempt, private activity bond authority, this section of the market study must include the following:

1. The market analyst's recommendations and conclusions, supported by the data contained in the market study. The analyst should provide an evaluation of the proposed development, given the target population and market conditions.
2. Conclusions, supported by evidence in the market study, indicating that the restricted rents for each unit type within the proposed project are at least 10% below rents of the same unit type in each of three comparable market rental properties.
3. Conclusions, supported by evidence in the market study, indicating that the proposed rental rates for each unit type are more than 20% below the rental rates of the same unit type in the comparable market rental properties, if the tax-exempt bond project application requests such points.